

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE YEAR ENDED
DECEMBER 31, 2007*

SONJA KEATON, DIRECTOR OF FINANCE



Mary Taylor, CPA
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 Julian & Grube, Inc., for the audit period January 1, 2007 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 19, 2008

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Members of Council and Mayor
City of Brookville
301 Sycamore Street
Brookville, Ohio 45309

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, as of and for the year ended December 31, 2007, which collectively comprise the City of Brookville's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Brookville's management. Our responsibility is to express opinions on these financial statements based on our audit.

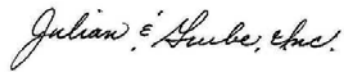
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brookville, Montgomery County, Ohio, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of Council and Mayor
City of Brookville
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In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2008 on our consideration of the City of Brookville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
May 8, 2008

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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, 2007. 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 2007 are as follows:

- The total net assets of the City increased \$1,527,731. Net assets of governmental activities increased \$1,482,385 or 17.48% over 2006 and net assets of business-type activities increased \$45,346 or 1.03% over 2006.
- General revenues accounted for \$3,291,761 of total governmental activities revenue. Program specific revenues accounted for \$3,076,382 or 47.4% of total governmental activities revenue.
- The City had \$4,873,258 in expenses related to governmental activities; \$3,076,382 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$1,796,876 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$3,291,761.
- The general fund had revenues and other financing sources of \$3,802,860 in 2007. This represents an increase of \$305,290 from 2006. The expenditures and other financing uses of the general fund, which totaled \$3,675,427 in 2007, increased \$128,510 from 2006. The net increase in fund balance for the general fund was \$127,433 or 12.68%.
- The capital improvement fund had revenues and other financing sources of \$4,733,184 in 2007. The expenditures of the capital improvement fund, totaled \$3,019,813 in 2007. The net increase in fund balance for the capital improvement fund was \$1,713,371 or 945.88%.
- The fire capital improvement fund had revenues and other financing sources of \$657,466 in 2007. The expenditures of the fire capital improvement fund, totaled \$417,575 in 2007. The net increase in fund balance for the fire capital improvement fund was \$239,891 or 45.73%.
- Net assets for the business-type activities, which are made up of the water, sewer, and refuse enterprise funds, increased in 2007 by \$45,346. This increase in net assets was due primarily to decreasing operating expenses and increasing charges for service.
- In the general fund, the actual revenues came in \$112,552 lower than they were in the final budget and actual expenditures and other financing uses were \$165,702 less than the amount in the final budget.

Using this Annual Financial Report

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Governmental activities - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, and refuse operations are reported here.

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, capital improvement fund and fire capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-24 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, 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 25-27 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 28-54 of this report.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2007 compared to 2006.

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Assets</u>						
Current and other assets	\$ 5,588,599	\$ 2,593,569	\$ 1,075,425	\$ 935,346	\$ 6,664,024	\$ 3,528,915
Capital assets, net	<u>8,763,960</u>	<u>7,513,028</u>	<u>4,348,292</u>	<u>4,730,466</u>	<u>13,112,252</u>	<u>12,243,494</u>
Total assets	<u>14,352,559</u>	<u>10,106,597</u>	<u>5,423,717</u>	<u>5,665,812</u>	<u>19,776,276</u>	<u>15,772,409</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	3,988,046	1,275,562	914,349	1,069,126	4,902,395	2,344,688
Other liabilities	<u>403,666</u>	<u>352,573</u>	<u>43,920</u>	<u>176,584</u>	<u>447,586</u>	<u>529,157</u>
Total liabilities	<u>4,391,712</u>	<u>1,628,135</u>	<u>958,269</u>	<u>1,245,710</u>	<u>5,349,981</u>	<u>2,873,845</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	5,191,654	6,344,477	3,465,727	3,694,371	8,657,381	10,038,848
Restricted	3,455,385	1,014,653	-	-	3,455,385	1,014,653
Unrestricted	<u>1,313,808</u>	<u>1,119,332</u>	<u>999,721</u>	<u>725,731</u>	<u>2,313,529</u>	<u>1,845,063</u>
Total net assets	<u>\$ 9,960,847</u>	<u>\$ 8,478,462</u>	<u>\$ 4,465,448</u>	<u>\$ 4,420,102</u>	<u>\$ 14,426,295</u>	<u>\$ 12,898,564</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2007, the City's assets exceeded liabilities by \$14,426,295. At year-end, net assets were \$9,960,847 and \$4,465,448 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 61.06% and 80.17% of total assets for the governmental activities and business-type activities, respectively. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2007, were \$5,191,654 and \$3,465,727 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$3,455,385 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$1,313,808 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

The following table shows the comparative analysis of changes in net assets for fiscal year 2007 compared to 2006.

	Change in Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,203,934	\$ 1,018,623	\$ 1,805,427	\$ 1,737,835	\$ 3,009,361	\$ 2,756,458
Operating grants and contributions	1,157,342	302,327	-	-	1,157,342	302,327
Capital grants and contributions	715,106	471,337	-	-	715,106	471,337
Total program revenues	<u>3,076,382</u>	<u>1,792,287</u>	<u>1,805,427</u>	<u>1,737,835</u>	<u>4,881,809</u>	<u>3,530,122</u>
General revenues:						
Property taxes	140,960	133,729	-	-	140,960	133,729
Income taxes	2,458,309	2,200,957	-	-	2,458,309	2,200,957
Unrestricted grants and entitlements	336,287	322,860	-	-	336,287	322,860
Investment earnings	172,480	100,137	-	-	172,480	100,137
Miscellaneous	50,010	113,052	-	-	50,010	113,052
Gain on sale of capital assets	133,715	-	-	-	133,715	-
Total general revenues	<u>3,291,761</u>	<u>2,870,735</u>	<u>-</u>	<u>-</u>	<u>3,291,761</u>	<u>2,870,735</u>
Total revenues	<u>6,368,143</u>	<u>4,663,022</u>	<u>1,805,427</u>	<u>1,737,835</u>	<u>8,173,570</u>	<u>6,400,857</u>
Expenses:						
General government	852,914	809,870	-	-	852,914	809,870
Security of persons and property	1,747,724	1,891,435	-	-	1,747,724	1,891,435
Public health and welfare	-	-	-	-	-	-
Transportation	1,254,243	1,167,952	-	-	1,254,243	1,167,952
Leisure time activity	165,072	175,324	-	-	165,072	175,324
Economic development	798,953	-	-	-	798,953	-
Interest and fiscal charges	54,352	38,138	-	-	54,352	38,138
Water	-	-	727,671	831,895	727,671	831,895
Sewer	-	-	691,941	745,722	691,941	745,722
Refuse	-	-	352,969	329,034	352,969	329,034
Total expenses	<u>4,873,258</u>	<u>4,082,719</u>	<u>1,772,581</u>	<u>1,906,651</u>	<u>6,645,839</u>	<u>5,989,370</u>
Special Items:						
Gain on retirement of mortgage note	-	86,768	-	-	-	86,768
Transfers	<u>(12,500)</u>	<u>(51,400)</u>	<u>12,500</u>	<u>51,400</u>	<u>-</u>	<u>-</u>
Change in net assets	1,482,385	615,671	45,346	(117,416)	1,527,731	498,255
Net assets at beginning of year	<u>8,478,462</u>	<u>7,862,791</u>	<u>4,420,102</u>	<u>4,537,518</u>	<u>12,898,564</u>	<u>12,400,309</u>
Net assets at end of year	<u>\$ 9,960,847</u>	<u>\$ 8,478,462</u>	<u>\$ 4,465,448</u>	<u>\$ 4,420,102</u>	<u>\$ 14,426,295</u>	<u>\$ 12,898,564</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Governmental Activities

Governmental activities net assets increased \$1,482,385 in 2007. This increase is a result of increasing revenues, primarily income taxes and miscellaneous revenues. Miscellaneous revenues increased significantly during 2007 due to an increase in the proceeds from the sale of assets.

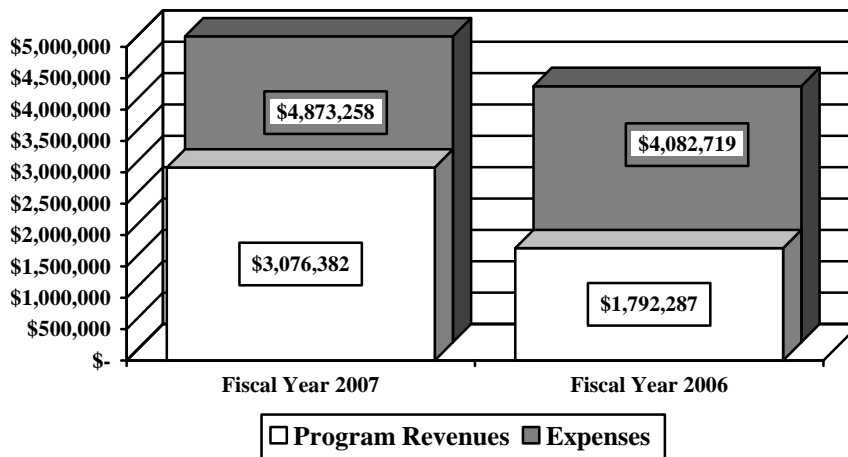
Security of persons and property which primarily supports the operations of the police and fire department accounted for \$1,747,724 or 35.86% of the total expenses of the City. Security of persons and property expenses were partially funded by \$777,050 in direct charges to users of the services. General government expenses totaled \$852,914. General government expenses were partially funded by \$379,751 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$1,157,342 in operating grants and contributions and \$715,106 in capital grants and contributions. These revenues are restricted to a particular program or purpose. The total grants and contributions subsidized transportation programs.

General revenues totaled \$3,291,761 and amounted to 51.7% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$2,599,269. 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 \$336,287.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2007 compared to 2006. 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
MONTGOMERY COUNTY, OHIO**

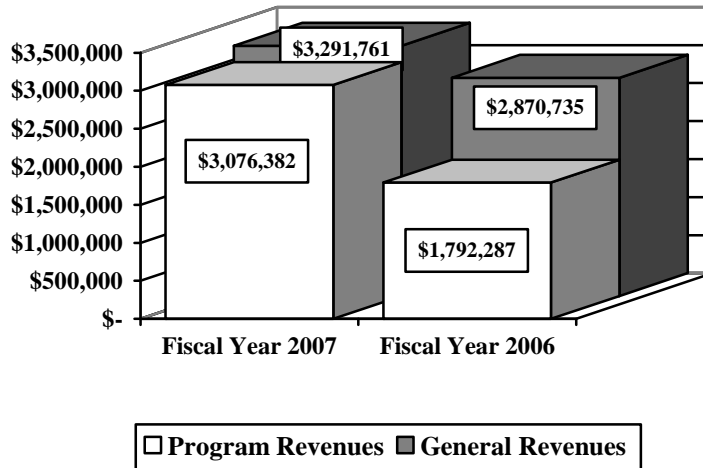
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Governmental Activities

	2007		2006	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 852,914	\$ 531,176	\$ 809,870	\$ 645,121
Security of persons and property	1,747,724	970,674	1,891,435	1,084,265
Transportation	1,254,243	228,475	1,167,952	383,306
Leisure time activity	165,072	120,212	175,324	139,602
Economic development	798,953	(50,000)	-	-
Interest and fiscal charges	54,352	54,352	38,138	38,138
Total	\$ 4,873,258	\$ 1,854,889	\$ 4,082,719	\$ 2,290,432

The dependence upon general revenues for governmental activities is apparent, with 38.06% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2007.

Governmental Activities – General and Program Revenues

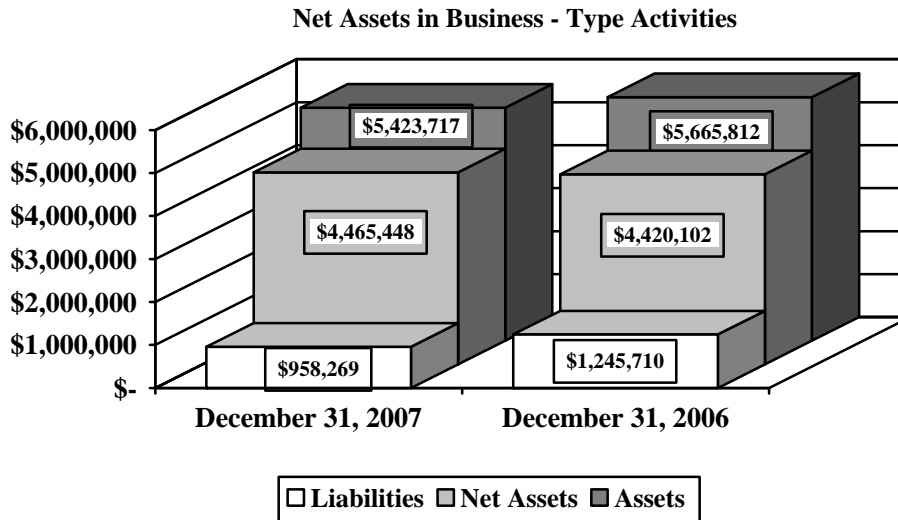


**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Business-type Activities

Business-type activities include the water, sewer, and refuse enterprise funds. These programs had program revenues of \$1,805,427, transfers in of \$12,500 and expenses of \$1,772,581 for 2007. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$3,973,270 which is \$2,127,326 above last year's total of \$1,845,944. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2007 for all major and non-major governmental funds.

	Fund Balances <u>12/31/2007</u>	Fund Balances <u>12/31/2006</u>	Increase (Decrease)
Major funds:			
General	\$ 1,132,089	\$ 1,004,656	\$ 127,433
Capital improvement	1,894,511	181,140	1,713,371
Fire capital improvement	764,511	524,620	239,891
Other nonmajor governmental funds	<u>182,159</u>	<u>135,528</u>	<u>46,631</u>
Total	<u>\$ 3,973,270</u>	<u>\$ 1,845,944</u>	<u>\$ 2,127,326</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

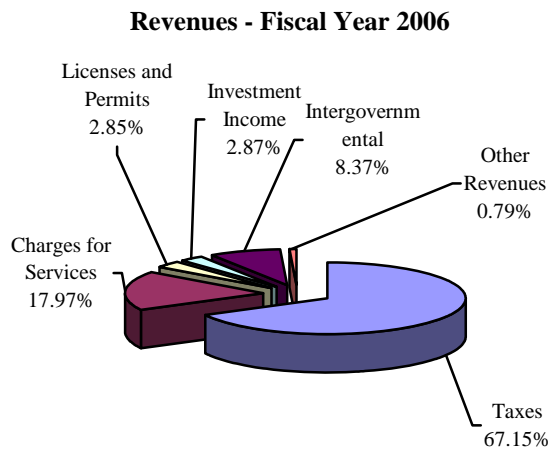
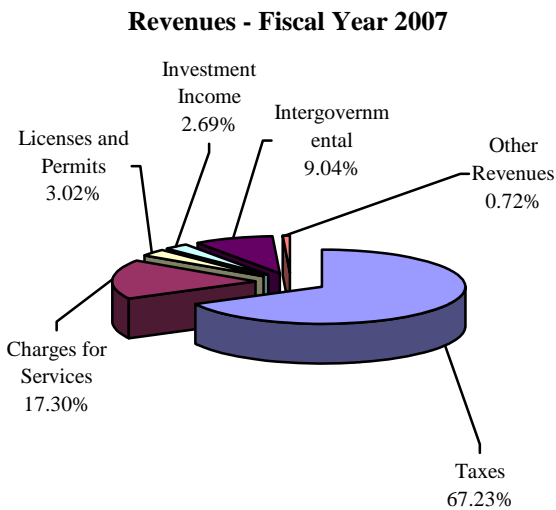
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

General Fund

The City's general fund balance increased \$127,433. The table that follows assists in illustrating the revenues of the general fund.

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 2,393,166	\$ 2,337,473	2.38 %
Charges for services	616,013	625,541	(1.52) %
Licenses, permits and fees	107,659	99,108	8.63 %
Investment income	95,823	99,987	(4.16) %
Intergovernmental	321,668	291,274	10.43 %
Other	<u>25,707</u>	<u>27,487</u>	(6.48) %
Total	<u>\$ 3,560,036</u>	<u>\$ 3,480,870</u>	2.27 %

The City's largest revenue source in the general fund was tax revenue, which represents 67.22% of all general fund revenue. Tax revenues remained consistent with the prior year. The 10.43% increase in intergovernmental income is due to an increase in estate tax revenue during 2007.



**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

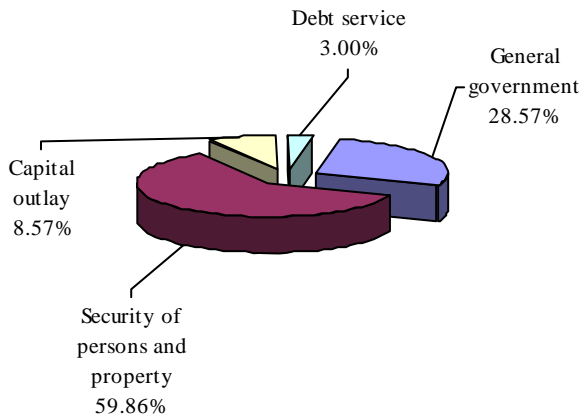
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

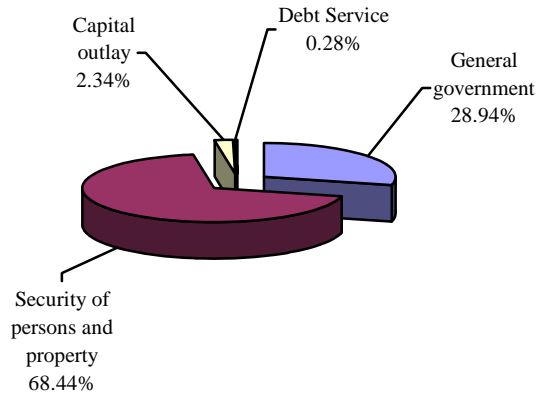
	<u>2007 Amount</u>	<u>2006 Amount</u>	<u>Percentage Change</u>
<u>Expenditures</u>			
General government	\$ 853,557	\$ 777,079	9.84 %
Security of persons and property	1,788,907	1,837,548	(2.65) %
Capital outlay	255,966	62,838	307.34 %
Debt service	<u>89,497</u>	<u>7,452</u>	1,100.98 %
Total	<u>\$ 2,987,927</u>	<u>\$ 2,684,917</u>	11.29 %

The City increased total expenditures by 11.29%. Capital outlay and debt service increased primarily due to the City entering into a new lease for a fire truck as well as a loan with Montgomery County in order to obtain new radio equipment.

Expenditures - Fiscal Year 2007



Expenditures - Fiscal Year 2006



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. In the general fund, the actual revenues came in \$112,551 lower than they were in the final budget and actual expenditures and other financing uses were \$165,702 less than the amount in the final budget. Budgeted revenues remained the same in the original and the final budget. Budgeted expenditures and other financing uses were decreased \$67,328 from the original to the final budget.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Capital Improvement Fund

The capital improvement fund had revenues and other financing sources of \$4,733,184 in 2007. The expenditures of the capital improvement fund, totaled \$3,019,813 in 2007. The net increase in fund balance for the capital improvement fund was \$1,713,371 or 945.88%, which was the result of bond anticipation notes issued in 2007.

Fire Capital Improvement Fund

The fire capital improvement fund had revenues and other financing sources of \$657,466 in 2007. The expenditures of the fire capital improvement fund, totaled \$417,575 in 2007. The net increase in fund balance for the capital improvement fund was \$239,891 or 45.73%.

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 fiscal 2007, the City had \$13,112,252 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, vehicles, infrastructure and construction in progress. Of this total, \$8,763,960 was reported in governmental activities and \$4,348,292 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows fiscal 2007 balances compared to 2006:

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

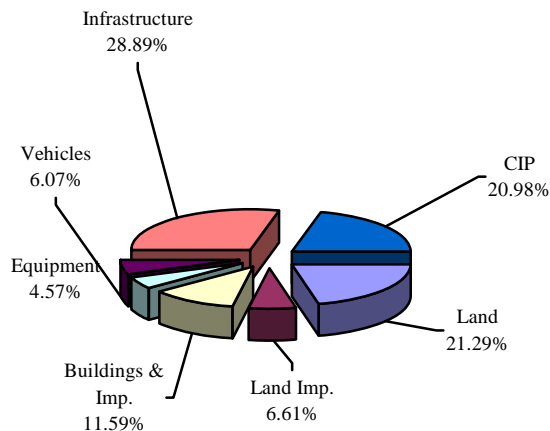
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 1,866,183	\$ 2,638,803	\$ 32,388	\$ 32,388	\$ 1,898,571	\$ 2,671,191
Land improvements	579,310	626,276	3,626,605	3,983,781	4,205,915	4,610,057
Buildings and improvements	1,016,072	1,058,852	189,247	190,232	1,205,319	1,249,084
Equipment	400,539	135,323	58,165	47,296	458,704	182,619
Vehicles	531,602	633,682	21,347	35,578	552,949	669,260
Infrastructure	2,531,913	2,142,854	420,540	427,183	2,952,453	2,570,037
Construction in progress	<u>1,838,341</u>	<u>277,238</u>	<u>-</u>	<u>14,008</u>	<u>1,838,341</u>	<u>291,246</u>
Totals	<u>\$ 8,763,960</u>	<u>\$ 7,513,028</u>	<u>\$ 4,348,292</u>	<u>\$ 4,730,466</u>	<u>\$ 13,112,252</u>	<u>\$ 12,243,494</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

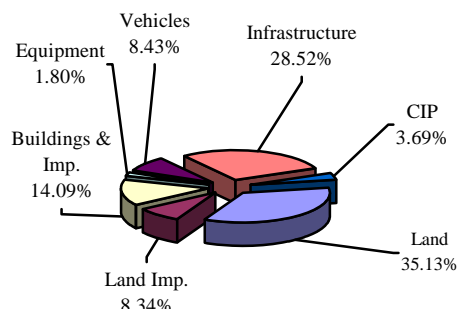
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

The following graphs show the breakdown of governmental capital assets by category for 2007 and 2006

Capital Assets - Governmental Activities 2007



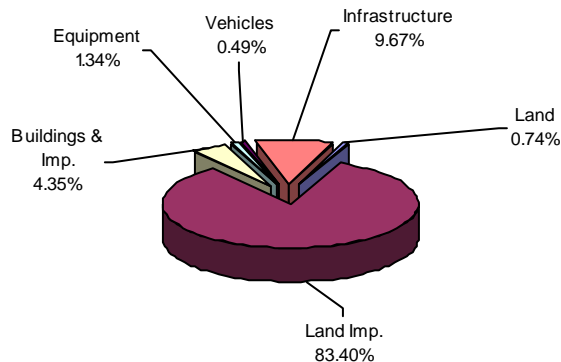
Capital Assets - Governmental Activities 2006



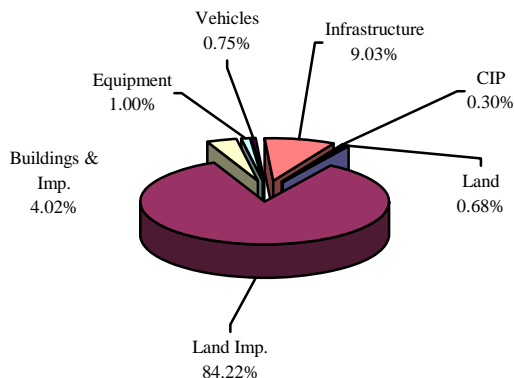
Infrastructure is the largest capital asset category for the City's governmental activities. Infrastructure includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 9.67% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2007 and 2006.

**Capital Assets - Business-Type Activities
2007**



Capital Assets - Business-Type Activities 2006



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 83.4% of the City's total business-type capital assets.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2007 and 2006:

	Governmental Activities	
	2007	2006
Note payable	\$ 1,109,000	\$ 1,148,000
Capital lease payable	13,476	20,551
Fire truck lease obligation	332,417	-
Equipment loan	161,883	-
Bond anticipation note	2,285,000	-
Compensated absences	86,270	107,011
Total long-term obligations	<u>\$ 3,988,046</u>	<u>\$ 1,275,562</u>
	Business-type Activities	
	2007	2006
OPWC loans	\$ 669,717	\$ 745,205
OWDA loan	212,848	290,890
Compensated absences	31,784	33,031
Total long-term obligations	<u>\$ 914,349</u>	<u>\$ 1,069,126</u>

Economic Conditions and Outlook

The City's Administration considers the impact of various economic factors when establishing the fiscal year budget. The continued challenges resulting from regional loss of employment, reduction of revenue and stagnant economic development have yielded significant influence on the objectives established in the budget the last few years.

Even though we continued to face somewhat flat revenues in 2007, compared to the "good years" of the 90's, we still experienced a successful year relative to what we were able to accomplish. Service levels were maintained and the City completed several capital improvement projects that will have a lasting impact on the City for years to come.

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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

After years of strategic planning and marketing, the city owned property located north of Interstate 70 along Arlington Road will include a 600,000 square foot warehouse distribution center for Payless ShoeSource, Inc. The Payless facility will bring over 300 new jobs to the City of Brookville. This Payless project will improve the economic well being of our community through job creation, retention and tax base expansion. A vibrant economy is vital to maintaining and improving the quality of life here in the City of Brookville. Hopefully with the Payless facility in place this will jumpstart growth in the NorthBrook Industrial Park with additional businesses and jobs, which in turn will increase our income tax receipts.

A substantial portion of the general fund revenues (63.3%) comes from the City's 1.75 percent income tax. Growth in overall income tax collections between 2000 and 2002 were non-existent; in fact income tax cash receipts declined to a low of \$1,818,117 in 2002. Income tax began to increase again in 2003 and saw a high of \$2,139,939 in cash receipts in 2004. The City revenue totaled \$2,252,026 in 2007, an increase of \$50,984 or 2.3% from the previous year.

In recent years, the City's general fund cash balance has declined from \$1.2 million in 2001 to \$837,140 in 2007. Most of that can be attributed to the flat revenue we saw in local government funds, which froze revenue at the 2000 level, the continuing decline in Inheritance Tax, the economy in general and of course ongoing expenses, which seem to grow at a faster rate than revenues coming in. As the City continues to acquire new businesses and assist existing businesses with their expansions, balances in the general fund should stabilize and begin to grow again.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information please contact: Sonja Keaton, Director of Finance, 301 Sycamore Street, Brookville, Ohio 45309.

**BASIC
FINANCIAL STATEMENTS**

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 3,466,052	\$ 492,411	\$ 3,958,463
Cash with escrow agent	274,776	-	274,776
Receivables (net of allowances for uncollectibles):			
Income taxes	500,503	-	500,503
Real and other taxes	123,328	-	123,328
Accounts	203,048	574,229	777,277
Accrued interest	14,631	-	14,631
Special assessments	427	-	427
Due from other governments	764,651	-	764,651
Notes receivable	177,513	-	177,513
Prepayments	39,300	8,394	47,694
Materials and supplies inventory	24,370	391	24,761
Capital assets:			
Land and construction in progress	3,704,524	32,388	3,736,912
Depreciable capital assets, net	5,059,436	4,315,904	9,375,340
Total capital assets	<u>8,763,960</u>	<u>4,348,292</u>	<u>13,112,252</u>
Total assets	<u>14,352,559</u>	<u>5,423,717</u>	<u>19,776,276</u>
Liabilities:			
Accounts payable	59,254	22,254	81,508
Contracts payable	87,679	-	87,679
Accrued wages	44,556	12,953	57,509
Due to other governments	49,466	6,939	56,405
Pension obligation payable	41,458	1,774	43,232
Unearned revenue	121,253	-	121,253
Long-term liabilities:			
Due within one year	2,535,645	177,545	2,713,190
Due in more than one year	1,452,401	736,804	2,189,205
Total liabilities	<u>4,391,712</u>	<u>958,269</u>	<u>5,349,981</u>
Net assets:			
Invested in capital assets, net of related debt	5,191,654	3,465,727	8,657,381
Restricted for:			
Capital projects	3,189,868	-	3,189,868
Debt service	8,788	-	8,788
Other purposes	256,729	-	256,729
Unrestricted	<u>1,313,808</u>	<u>999,721</u>	<u>2,313,529</u>
Total net assets	<u>\$ 9,960,847</u>	<u>\$ 4,465,448</u>	<u>\$ 14,426,295</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 852,914	\$ 379,751	\$ -	\$ -
Security of persons and property.	1,747,724	777,050	-	-
Transportation	1,254,243	2,273	308,389	715,106
Leisure time activity.	165,072	44,860	-	-
Economic development	798,953	-	848,953	-
Interest and fiscal charges.	54,352	-	-	-
Total governmental activities	<u>4,873,258</u>	<u>1,203,934</u>	<u>1,157,342</u>	<u>715,106</u>
Business-Type Activities:				
Water	727,671	982,722	-	-
Sewer	691,941	480,920	-	-
Refuse	352,969	341,785	-	-
Total business-type activities	<u>1,772,581</u>	<u>1,805,427</u>	<u>-</u>	<u>-</u>
Total primary government.	<u>\$ 6,645,839</u>	<u>\$ 3,009,361</u>	<u>\$ 1,157,342</u>	<u>\$ 715,106</u>

General Revenues:

Property taxes levied for:	
General purposes.	
Income taxes levied for:	
General purposes.	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	
Gain on sale of capital assets.	
Total general revenues.	
Transfers.	
Change in net assets.	
Net assets at beginning of year	
Net assets at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (473,163)	\$ -	\$ (473,163)
(970,674)	-	(970,674)
(228,475)	-	(228,475)
(120,212)	-	(120,212)
50,000	-	50,000
(54,352)	-	(54,352)
<u>(1,796,876)</u>	<u>-</u>	<u>(1,796,876)</u>
-	255,051	255,051
-	(211,021)	(211,021)
-	(11,184)	(11,184)
<u>-</u>	<u>32,846</u>	<u>32,846</u>
<u>(1,796,876)</u>	<u>32,846</u>	<u>(1,764,030)</u>
140,960	-	140,960
2,458,309	-	2,458,309
336,287	-	336,287
172,480	-	172,480
50,010	-	50,010
133,715	-	133,715
<u>3,291,761</u>	<u>-</u>	<u>3,291,761</u>
<u>(12,500)</u>	<u>12,500</u>	<u>-</u>
1,482,385	45,346	1,527,731
<u>8,478,462</u>	<u>4,420,102</u>	<u>12,898,564</u>
<u>\$ 9,960,847</u>	<u>\$ 4,465,448</u>	<u>\$ 14,426,295</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	<u>General</u>	<u>Capital Improvement</u>	<u>Fire Capital Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 837,140	\$ 1,975,563	\$ 487,907	\$ 165,442	\$ 3,466,052
Cash with escrow agent	-	-	274,776	-	274,776
Receivables (net of allowance for uncollectibles):					
Income taxes	500,503	-	-	-	500,503
Real and other taxes	123,328	-	-	-	123,328
Accounts	203,048	-	-	-	203,048
Accrued interest	8,004	6,627	-	-	14,631
Special assessments	-	427	-	-	427
Due from other governments	87,102	530,419	1,828	145,302	764,651
Notes receivable	177,513	-	-	-	177,513
Prepayments	30,938	-	-	8,362	39,300
Materials and supplies inventory	14,691	-	-	9,679	24,370
Total assets	<u>\$ 1,982,267</u>	<u>\$ 2,513,036</u>	<u>\$ 764,511</u>	<u>\$ 328,785</u>	<u>\$ 5,588,599</u>
Liabilities:					
Accounts payable	\$ 48,925	\$ -	\$ -	\$ 10,329	\$ 59,254
Contracts payable	-	87,679	-	-	87,679
Accrued wages	36,328	-	-	8,228	44,556
Due to other governments	43,574	-	-	5,892	49,466
Pension obligation payable	40,331	-	-	1,127	41,458
Unearned revenue	121,253	-	-	-	121,253
Deferred revenue	559,767	530,846	-	121,050	1,211,663
Total liabilities	<u>850,178</u>	<u>618,525</u>	<u>-</u>	<u>146,626</u>	<u>1,615,329</u>
Fund Balances:					
Reserved for encumbrances	12	151,284	263,417	-	414,713
Reserved for prepayments	30,938	-	-	8,362	39,300
Reserved for materials and supplies inventory	14,691	-	-	9,679	24,370
Reserved for debt service	-	-	-	8,788	8,788
Unreserved, undesignated, reported in:					
General fund	1,086,448	-	-	-	1,086,448
Special revenue funds	-	-	-	155,330	155,330
Capital projects funds	-	1,743,227	501,094	-	2,244,321
Total fund balances	<u>1,132,089</u>	<u>1,894,511</u>	<u>764,511</u>	<u>182,159</u>	<u>3,973,270</u>
Total liabilities and fund balances	<u>\$ 1,982,267</u>	<u>\$ 2,513,036</u>	<u>\$ 764,511</u>	<u>\$ 328,785</u>	<u>\$ 5,588,599</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007

Total governmental fund balances \$ 3,973,270

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

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. 8,763,960

Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds.

Property taxes	\$	2,075
Income taxes		292,130
Notes		177,513
Licenses, permits and fees		17,685
Special assessments		427
Intergovernmental revenues		719,682
Accrued interest		2,151
		2,151

Total 1,211,663

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

Compensated absences		(86,270)
Bond anticipation notes payable		(2,285,000)
Capital lease payable		(345,893)
Loan obligation payable		(161,883)
Note payable		(1,109,000)
		(3,988,046)

Net assets of governmental activities \$ 9,960,847

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, 2007

	<u>General</u>	<u>Capital Improvement</u>	<u>Fire Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Municipal income taxes	\$ 2,252,026	\$ -	\$ -	\$ -	\$ 2,252,026
Property and other taxes	141,140	-	-	-	141,140
Charges for services	616,013	-	197,603	82,658	896,274
Licenses, permits and fees	107,659	-	-	25,379	133,038
Intergovernmental	321,668	1,132,593	-	306,298	1,760,559
Special assessments	-	14,893	-	-	14,893
Investment income	95,823	56,893	17,618	55	170,389
Rental income	25,702	-	-	-	25,702
Donations.	5	-	10,723	-	10,728
Other	-	-	-	13,068	13,068
Total revenues	<u>3,560,036</u>	<u>1,204,379</u>	<u>225,944</u>	<u>427,458</u>	<u>5,417,817</u>
Expenditures:					
Current:					
General government	853,557	-	-	-	853,557
Security of persons and property	1,788,907	-	-	6,832	1,795,739
Transportation.	-	-	-	546,903	546,903
Leisure time activity	-	-	-	109,705	109,705
Economic development.	-	798,953	-	-	798,953
Capital outlay.	255,966	2,209,695	325,181	-	2,790,842
Debt service:					
Principal retirement	88,016	-	89,571	39,000	216,587
Interest and fiscal charges	1,481	-	2,823	53,387	57,691
Note issuance costs	-	11,165	-	-	11,165
Total expenditures	<u>2,987,927</u>	<u>3,019,813</u>	<u>417,575</u>	<u>755,827</u>	<u>7,181,142</u>
Excess (deficiency) of revenues over (under) expenditures	<u>572,109</u>	<u>(1,815,434)</u>	<u>(191,631)</u>	<u>(328,369)</u>	<u>(1,763,325)</u>
Other financing sources (uses):					
Sale of capital assets	-	929,301	9,534	-	938,835
Sale of notes.	-	2,285,000	-	-	2,285,000
Proceeds of loan.	242,824	-	-	-	242,824
Capital lease transaction	-	-	421,988	-	421,988
Transfers in	-	300,000	-	375,000	675,000
Transfers out	(687,500)	-	-	-	(687,500)
Premium on note issuance	-	14,504	-	-	14,504
Total other financing sources (uses)	<u>(444,676)</u>	<u>3,528,805</u>	<u>431,522</u>	<u>375,000</u>	<u>3,890,651</u>
Net change in fund balances	127,433	1,713,371	239,891	46,631	2,127,326
Fund balances at beginning of year.	<u>1,004,656</u>	<u>181,140</u>	<u>524,620</u>	<u>135,528</u>	<u>1,845,944</u>
Fund balances at end of year.	<u>\$ 1,132,089</u>	<u>\$ 1,894,511</u>	<u>\$ 764,511</u>	<u>\$ 182,159</u>	<u>\$ 3,973,270</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, 2007

Net change in fund balances - total governmental funds \$ 2,127,326

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

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

Capital asset additions	\$	2,471,670	
Current year depreciation		<u>(384,586)</u>	
 Total			 2,087,084

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (836,152)

Proceeds of notes and capital leases are recognized as other financing sources in the governmental funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets. (2,949,812)

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

Property taxes		(180)	
Income taxes		206,283	
Notes		177,513	
Charges for services		(2,891)	
Licenses, permits and fees		512	
Special assessments		47	
Intergovernmental revenues		433,236	
Accrued interest		<u>2,091</u>	
 Total			 816,611

Repayment of capital lease and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 216,587

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. 20,741

Change in net assets of governmental activities \$ 1,482,385

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, 2007

	<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	\$ 2,339,852	\$ 2,339,852	\$ 2,268,602	\$ (71,250)
Property and other taxes	145,573	145,573	141,140	(4,433)
Charges for services	648,330	648,330	628,588	(19,742)
Licenses and permits and fees	112,164	112,164	108,749	(3,415)
Intergovernmental	326,269	326,269	316,334	(9,935)
Investment income	96,322	96,322	93,389	(2,933)
Rental income	27,686	27,686	26,843	(843)
Donations	5	5	5	-
Total revenues.	<u>3,696,201</u>	<u>3,696,201</u>	<u>3,583,650</u>	<u>(112,551)</u>
Expenditures:				
Current:				
General government	883,182	889,682	863,235	26,447
Security of persons and property	1,956,396	1,886,268	1,869,091	17,177
Capital outlay.	41,420	37,720	13,142	24,578
Total expenditures	<u>2,880,998</u>	<u>2,813,670</u>	<u>2,745,468</u>	<u>68,202</u>
Excess of revenues over expenditures	<u>815,203</u>	<u>882,531</u>	<u>838,182</u>	<u>(44,349)</u>
Other financing uses:				
Transfers out	(785,000)	(785,000)	(687,500)	97,500
Total other financing uses.	<u>(785,000)</u>	<u>(785,000)</u>	<u>(687,500)</u>	<u>97,500</u>
Net change in fund balance	30,203	97,531	150,682	53,151
Fund balance at beginning of year	667,699	667,699	667,699	-
Prior year encumbrances appropriated	2,998	2,998	2,998	-
Fund balance at end of year.	<u>\$ 700,900</u>	<u>\$ 768,228</u>	<u>\$ 821,379</u>	<u>\$ 53,151</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007

	Business-Type Activities -Enterprise Funds			
	Water	Sewer	Refuse	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 211,962	\$ 246,747	\$ 33,702	\$ 492,411
Receivables (net of allowance for uncollectibles):				
Accounts	309,479	152,970	111,780	574,229
Prepayments	2,213	4,337	1,844	8,394
Materials and supplies inventory	-	391	-	391
Total current assets	<u>523,654</u>	<u>404,445</u>	<u>147,326</u>	<u>1,075,425</u>
Noncurrent assets:				
Capital assets:				
Land and construction in progress	-	32,388	-	32,388
Depreciable capital assets, net	<u>505,500</u>	<u>3,789,057</u>	<u>21,347</u>	<u>4,315,904</u>
Total capital assets	<u>505,500</u>	<u>3,821,445</u>	<u>21,347</u>	<u>4,348,292</u>
Total assets	<u>1,029,154</u>	<u>4,225,890</u>	<u>168,673</u>	<u>5,423,717</u>
Liabilities:				
Current liabilities:				
Accounts payable	2,050	7,812	12,392	22,254
Accrued wages	3,799	5,332	3,822	12,953
Compensated absences	5,404	7,672	5,581	18,657
Due to other governments	2,045	2,567	2,327	6,939
Pension obligation payable	520	730	524	1,774
Current portion of OPWC loan	29,201	47,694	-	76,895
Current portion of OWDA loan	-	81,993	-	81,993
Total current liabilities	<u>43,019</u>	<u>153,800</u>	<u>24,646</u>	<u>221,465</u>
Long-term liabilities:				
OPWC loans payable	169,732	423,090	-	592,822
ODWA loans payable	-	130,855	-	130,855
Compensated absences	3,337	5,340	4,450	13,127
Total long-term liabilities	<u>173,069</u>	<u>559,285</u>	<u>4,450</u>	<u>736,804</u>
Total liabilities	<u>216,088</u>	<u>713,085</u>	<u>29,096</u>	<u>958,269</u>
Net assets:				
Invested in capital assets, net of related debt	306,567	3,137,813	21,347	3,465,727
Unrestricted	<u>506,499</u>	<u>374,992</u>	<u>118,230</u>	<u>999,721</u>
Total net assets	<u>\$ 813,066</u>	<u>\$ 3,512,805</u>	<u>\$ 139,577</u>	<u>\$ 4,465,448</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Operating revenues:				
Charges for services	\$ 952,722	\$ 454,920	\$ 341,785	\$ 1,749,427
Tap-in fees.	30,000	26,000	-	56,000
Total operating revenues	982,722	480,920	341,785	1,805,427
Operating expenses:				
Personal services	119,920	178,374	150,402	448,696
Contract services	537,363	155,053	165,337	857,753
Materials and supplies	9,810	-	22,999	32,809
Depreciation	49,585	344,933	14,231	408,749
Total operating expenses.	716,678	678,360	352,969	1,748,007
Operating income (loss)	266,044	(197,440)	(11,184)	57,420
Nonoperating expenses:				
Interest expense and fiscal charges	(10,993)	(13,581)	-	(24,574)
Total nonoperating expenses	(10,993)	(13,581)	-	(24,574)
Income (loss) before transfers	255,051	(211,021)	(11,184)	32,846
Transfers in.	-	-	12,500	12,500
Changes in net assets	255,051	(211,021)	1,316	45,346
Net assets at beginning of year.	558,015	3,723,826	138,261	4,420,102
Net assets at end of year.	\$ 813,066	\$ 3,512,805	\$ 139,577	\$ 4,465,448

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, 2007

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Cash flows from operating activities:				
Cash received from customers	\$ 911,660	\$ 431,160	\$ 334,361	\$ 1,677,181
Cash received from tap-in fees	30,000	26,000	-	56,000
Cash payments for personal services	(119,112)	(177,619)	(151,609)	(448,340)
Cash payments for contract services	(669,961)	(144,758)	(164,166)	(978,885)
Cash payments for materials and supplies	(8,348)	(8,666)	(28,919)	(45,933)
Net cash provided by (used in) operating activities.	<u>144,239</u>	<u>126,117</u>	<u>(10,333)</u>	<u>260,023</u>
Cash flows from noncapital financing activities:				
Cash received from transfers in	-	-	12,500	12,500
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>12,500</u>	<u>12,500</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets.	(3,931)	(22,644)	-	(26,575)
Principal retirement on OPWC loans	(27,794)	(47,694)	-	(75,488)
Principal retirement on OWDA loan.	-	(78,042)	-	(78,042)
Interest and fiscal charges	(10,993)	(13,581)	-	(24,574)
Net cash used in capital and related financing activities	<u>(42,718)</u>	<u>(161,961)</u>	<u>-</u>	<u>(204,679)</u>
Net increase (decrease) in cash and cash equivalents . .	101,521	(35,844)	2,167	67,844
Cash and cash equivalents at beginning of year . . .	<u>110,441</u>	<u>282,591</u>	<u>31,535</u>	<u>424,567</u>
Cash and cash equivalents at end of year.	<u>\$ 211,962</u>	<u>\$ 246,747</u>	<u>\$ 33,702</u>	<u>\$ 492,411</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 266,044	\$ (197,440)	\$ (11,184)	\$ 57,420
Adjustments:				
Depreciation.	49,585	344,933	14,231	408,749
Changes in assets and liabilities:				
(Increase) in accounts receivable	(41,062)	(23,760)	(7,424)	(72,246)
Decrease in materials and supplies inventory	-	94	-	94
(Increase) decrease in prepayments.	(76)	(29)	22	(83)
Increase (decrease) in accounts payable.	(131,044)	1,620	(4,732)	(134,156)
Increase (decrease) in accrued wages and benefits . . .	347	482	(124)	705
Increase in due to other governments.	376	81	216	673
Increase (decrease) in compensated absences payable. .	17	63	(1,327)	(1,247)
Increase (decrease) in pension obligation payable. . . .	52	73	(11)	114
Net cash provided by (used in) operating activities . . .	<u>\$ 144,239</u>	<u>\$ 126,117</u>	<u>\$ (10,333)</u>	<u>\$ 260,023</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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, water, sewer and refuse utility services, street maintenance and repair, 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 City applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. 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, street maintenance and repair, parks, recreation, water, sewer and refuse services. Council and the City Manager are directly responsible for these activities. The accompanying financial statements present the City, which has no component units.

B. Basis of Presentation - Fund Accounting

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

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

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. Fiduciary funds are reported by type.

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 and liabilities is reported as fund balance. The following are the City's major governmental funds:

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

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

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

Other governmental funds of the City are used to account for (1) grants and other resources whose use is restricted to a particular purpose and (2) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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, 2007

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 and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities and operating expenses for the internal service fund include personnel costs, claims and administrative expenses. 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 revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal 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, 2007

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance year 2008 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Income taxes, special assessments not received within the available period, notes receivable, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2007, are recorded as deferred revenue.

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

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 tax budget for fiscal year 2007. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources. All funds, other than agency funds, are legally required to be budgeted and appropriated.

The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected revenue of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal 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 fiscal year and need not be reappropriated.

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

G. Encumbrances

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

H. Cash and Cash Equivalents

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

During 2007, investments were limited to nonnegotiable certificates of deposit, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). 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 2007. 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 share price which is the price the investment could be sold for on December 31, 2007.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2007 amounted to \$95,823, which included \$59,187 assigned from other funds of the City.

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

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

I. Inventories of Materials and Supplies

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

J. Notes Receivable

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

K. Capital Assets

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

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

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land improvements	20 years	20 years
Buildings and improvements	50 years	50 years
Equipment	15 years	15 years
Vehicles	8 years	8 years
Infrastructure	20 years	50 years

L. Compensated Absences

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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 (50) or greater with at least ten (10) years of service or any employee with at least twenty (20) years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. Sick leave benefits were accrued using the "vesting" method.

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

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Interfund Activity

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after 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.

O. Fund Balance Reserves

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

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

P. Estimates

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

Q. Net Assets

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

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

R. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2007 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2007.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2007, the City has implemented GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 had no effect on the financial statements of the City.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At year-end, the City had \$200 in undeposited cash on hand which is included on the financial statements of the City as part of "Equity in Pooled Cash and Cash Equivalents."

B. Cash with Escrow Agent

At December 31, 2007, \$274,776 was invested in U.S. treasury money market funds related to the purchase of a fire truck. These amounts are not included in "carrying amount" below. See Note 12.B for further detail.

C. Deposits with Financial Institutions

At December 31, 2007, the carrying amount of all City deposits was \$1,560,812. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2007, \$1,243,420 of the City's bank balance of \$1,643,420 was exposed to custodial risk as discussed below, while \$400,000 was covered by Federal Deposit Insurance Corporation.

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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of December 31, 2007, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 2,397,451	\$ 2,397,451
Total	<u>\$ 2,397,451</u>	<u>\$ 2,397,451</u>

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: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

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, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 2,397,451	100.00%
Total	<u>\$ 2,397,451</u>	<u>100.00%</u>

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 1,560,812
Cash with escrow agent	274,776
Investments	2,397,451
Cash on hand	<u>200</u>
Total	<u>\$ 4,233,239</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,740,828
Business-type activities	<u>492,411</u>
Total	<u>\$ 4,233,239</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2007, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:

Capital improvement fund	\$ 300,000
Nonmajor governmental funds	375,000
Refuse fund	<u>12,500</u>
Total transfers	<u>\$ 687,500</u>

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

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

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

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal 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. The last revaluation was completed in 2002. 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. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 12.5% for 2007. This percentage will be reduced to 6.25% for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 6 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2007-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected with final settlement in June and December for taxes payable in the first and second halves of the year, respectively. The full tax rate for all City operations for the year ended December 31, 2006 was 1.3 mills of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real property tax	\$ 103,855,020
Public utility tangible personal property	1,847,360
Tangible personal property	<u>3,386,562</u>
Total assessed valuation	<u>\$ 109,088,942</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any advances received by the City in the first thirty-one days of the year are credited as property tax revenues with the remainder being credited to deferred revenue.

NOTE 7 - LOCAL INCOME TAX

The 1.75 percent City income tax, which is not subject to renewal, is levied on substantially all income earned within the City. In addition, the residents of the City are required to pay City income tax on income they earn outside the City; however, full credit is allowed for all income taxes these residents pay to other municipalities as long as the City they work in has an income tax that is equal or greater than the City's 1.75 percent. If a resident works somewhere, where the tax is less than 1.75 percent or there is no income tax, they will have to pay the difference or all, depending on where they work. Employers within the city are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Major employers are required to remit withholdings to the City monthly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the City. Income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2007. Income tax revenue for 2007 was \$2,252,026. Income tax revenue is reported in the general fund.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 8 - RECEIVABLES

Receivables at December 31, 2007, 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, 2007, as well as intended to finance fiscal 2007 operations.

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

Governmental Activities:

Income taxes	\$ 500,503
Real and other taxes	123,328
Accounts	203,048
Accrued interest	14,631
Special assessments	427
Intergovernmental receivables	764,651

Business-type Activities:

Accounts	574,229
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Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

NOTE 9 - NOTES RECEIVABLE

During 2007, the City loaned Western Ohio Properties, LLC. ("Western Ohio"), \$177,513 to assist in financing the cost of land at the City's industrial park. In consideration of the repayment of the note, Western Ohio shall begin making monthly payments of \$1,500 on April 15, 2008 and continue on the 15th day of each month until April 4, 2010, when the remaining principal at that time on the note shall become due and payable in full. At December 31, 2007, the balance of notes receivable was \$177,513.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 10 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2007, was as follows:

<u>Governmental Activities:</u>	Balance <u>12/31/06</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/07</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,638,803	\$ 32,500	\$ (805,120)	\$ 1,866,183
Construction in progress	<u>277,238</u>	<u>1,838,341</u>	<u>(277,238)</u>	<u>1,838,341</u>
Total capital assets, not being depreciated	<u>2,916,041</u>	<u>1,870,841</u>	<u>(1,082,358)</u>	<u>3,704,524</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,588,963	9,000	-	1,597,963
Buildings and improvements	1,675,759	6,000	-	1,681,759
Equipment	504,140	344,081	(61,581)	786,640
Vehicles	1,593,988	-	(118,879)	1,475,109
Infrastructure	<u>2,339,049</u>	<u>518,986</u>	<u>-</u>	<u>2,858,035</u>
Total capital assets, being depreciated	<u>7,701,899</u>	<u>878,067</u>	<u>(180,460)</u>	<u>8,399,506</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(962,687)	(55,966)	-	(1,018,653)
Buildings and improvements	(616,907)	(48,780)	-	(665,687)
Equipment	(368,817)	(72,908)	55,624	(386,101)
Vehicles	(960,306)	(77,005)	93,804	(943,507)
Infrastructure	<u>(196,195)</u>	<u>(129,927)</u>	<u>-</u>	<u>(326,122)</u>
Total accumulated depreciation	<u>(3,104,912)</u>	<u>(384,586)</u>	<u>149,428</u>	<u>(3,340,070)</u>
Total capital assets, being depreciated, net	<u>4,596,987</u>	<u>493,481</u>	<u>(31,032)</u>	<u>5,059,436</u>
Governmental activities capital assets, net	<u>\$ 7,513,028</u>	<u>\$ 2,364,322</u>	<u>\$ (1,113,390)</u>	<u>\$ 8,763,960</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:

General government	\$ 32,148
Security of persons and property	83,418
Transportation	195,941
Leisure time activity	<u>73,079</u>
Total depreciation expense - governmental activities	<u>\$ 384,586</u>

B. Business-type activities capital asset activity for the year ended December 31, 2007 was as follows:

<u>Business-type Activities:</u>	<u>Balance</u> 12/31/06	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/07
<i>Capital assets, not being depreciated:</i>				
Land	\$ 32,388	\$ -	\$ -	\$ 32,388
Construction in progress	<u>14,008</u>	<u>-</u>	<u>(14,008)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>46,396</u>	<u>-</u>	<u>(14,008)</u>	<u>32,388</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	8,795,210	-	-	8,795,210
Buildings and improvements	346,271	6,000	-	352,271
Equipment	66,355	16,644	-	82,999
Vehicles	175,796	-	-	175,796
Infrastructure	<u>482,681</u>	<u>17,939</u>	<u>-</u>	<u>500,620</u>
Total capital assets, being depreciated	<u>9,866,313</u>	<u>40,583</u>	<u>-</u>	<u>9,906,896</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(4,811,429)	(357,176)	-	(5,168,605)
Buildings and improvements	(156,039)	(6,985)	-	(163,024)
Equipment	(19,059)	(5,775)	-	(24,834)
Vehicles	(140,218)	(14,231)	-	(154,449)
Infrastructure	<u>(55,498)</u>	<u>(24,582)</u>	<u>-</u>	<u>(80,080)</u>
Total accumulated depreciation	<u>(5,182,243)</u>	<u>(408,749)</u>	<u>-</u>	<u>(5,590,992)</u>
Total capital assets, being depreciated, net	<u>4,684,070</u>	<u>(368,166)</u>	<u>-</u>	<u>4,315,904</u>
Business-type activities capital assets, net	<u>\$ 4,730,466</u>	<u>\$ (368,166)</u>	<u>\$ (14,008)</u>	<u>\$ 4,348,292</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the enterprise funds as follows:

Business-type activities:

Water	\$ 49,585
Sewer	344,933
Refuse	<u>14,231</u>
Total depreciation expense - business-type activities	<u>\$ 408,749</u>

NOTE 11 - VACATION AND SICK LEAVE LIABILITY

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the statement of net assets to the extent they were not paid using current expendable available resources. Vacation and sick leave earned by proprietary funds type employees is expensed when earned and has been recorded in the fund. Upon termination of City service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service. At December 31, 2007, vested benefits for vacation leave for governmental fund type employees, net of amounts paid using current expendable available resources, totaled \$43,376 and vested benefits for sick leave, totaled \$42,894. For proprietary fund types, vested benefits for vacation leave totaled \$18,657 and vested benefits for sick leave totaled \$13,127 at December 31, 2007. Included in the vested benefits for sick leave figures is an additional liability to accrue and record termination (severance) payments for employees expected to become eligible to retire in the future in accordance with GASB Statement No. 16.

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$23,037. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2007 was \$10,291, leaving a current book value of \$12,746. A corresponding liability was recorded in the government-wide financial statements. Principal payments in the 2007 fiscal year totaled \$7,075 paid by the general fund.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2007.

<u>Year Ending December 31,</u>	<u>General</u>
2008	\$ 4,865
2009	4,159
2010	4,159
2011	<u>2,394</u>
Total future minimum lease payments	15,577
Less: amount representing interest	<u>(2,101)</u>
Present value of net minimum lease payments	<u>\$ 13,476</u>

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

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$164,830. This amount represents the value of the chassis, which is the only portion of the truck completed at December 31, 2007. The remaining value of the fire truck, \$257,158 is being held in an escrow account (see Note 4.B) until the truck is completed and delivered to the City. The escrow account has earned interest revenue of \$17,618. The fire truck was not in service during 2007, therefore no depreciation expense was recognized during fiscal year 2007. A corresponding liability was recorded in the government-wide financial statements. Principal payments in the 2007 fiscal year totaled \$89,571 paid by the fire capital improvement fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2007.

<u>Year Ending December 31,</u>	<u>General</u>
2008	\$ 94,735
2009	94,735
2010	94,735
2011	<u>79,442</u>
Total future minimum lease payments	363,647
Less: amount representing interest	<u>(31,230)</u>
Present value of net minimum lease payments	<u>\$ 332,417</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 13 - LONG-TERM OBLIGATIONS

A. During 2007, the following changes occurred in governmental activities long-term obligations:

Governmental Activities:	Balance <u>12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/07</u>	Amounts Due in <u>One Year</u>
Bond anticipation note	\$ -	\$ 2,285,000	\$ -	\$ 2,285,000	\$ 2,285,000
Note payable	1,148,000	-	(39,000)	1,109,000	41,000
Capital lease obligations	20,551	-	(7,075)	13,476	3,889
Fire truck lease obligation	-	421,988	(89,571)	332,417	81,439
Equipment loan	-	242,824	(80,941)	161,883	80,941
Compensated absences	<u>107,011</u>	<u>47,535</u>	<u>(68,276)</u>	<u>86,270</u>	<u>43,376</u>
Total governmental activities long-term obligations	<u>\$ 1,275,562</u>	<u>\$ 2,997,347</u>	<u>\$ (284,863)</u>	<u>\$ 3,988,046</u>	<u>\$ 2,535,645</u>

Compensated absences: Compensated absences are reported in the statement of net assets and will be paid from the fund from which the employee's salaries are paid which will primarily be the general fund, street construction and maintenance fund (a nonmajor governmental fund) and Parks and Recreation fund (a nonmajor governmental fund).

Note payable: In fiscal year 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 will mature in January of 2026. Payments of principal and interest on the note are made from the debt service fund (a nonmajor governmental fund).

Equipment loan: In May of 2007, the City entered into a 3 year loan to purchase police and fire mobile data equipment from Montgomery County. The loan bears a 0% interest rate and the final payment is due August 1, 2009. The equipment purchased under the loan did not meet the City's capitalization threshold and, as such, is not reported in the City's capital assets. Payments of principal and interest on the equipment loan are made from the general fund.

Bond anticipation note: On April 26, 2007 the City issued a \$2,285,000 bond anticipation note bearing a 4.25% interest rate. This note matures on April 25, 2008. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced", the note is considered a long-term obligation since it was refinanced on a long-term basis prior to the issuance of the financial statements (see Note 20).

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ending December 31,	Note Payable			Equipment Loan		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 41,000	\$ 48,692	\$ 89,692	\$ 80,941	\$ -	\$ 80,941
2009	43,000	46,847	89,847	80,942	-	80,942
2010	45,000	44,921	89,921	-	-	-
2011	47,000	42,905	89,905	-	-	-
2012	49,000	40,800	89,800	-	-	-
2013 - 2017	282,000	168,701	450,701	-	-	-
2018 - 2022	351,000	99,598	450,598	-	-	-
2023 - 2026	251,000	20,615	271,615	-	-	-
	<u>\$ 1,109,000</u>	<u>\$ 513,079</u>	<u>\$ 1,622,079</u>	<u>\$ 161,883</u>	<u>\$ -</u>	<u>\$ 161,883</u>

- B.** During the fiscal year 2007, the following changes occurred in the City's business-type long-term liabilities:

Business-Type Activities:	Interest Rate	Balance 12/31/06	Additions	Reductions	Balance 12/31/07	Amounts Due in One Year
<u>OPWC loans</u>						
Water tower	5.00%	\$ 226,727	\$ -	\$ (27,794)	\$ 198,933	\$ 29,201
Wolf Creek sanitary trunk main	0.00%	27,500	-	(5,000)	22,500	5,000
Wastewater treatment plant	0.00%	490,978	-	(42,694)	448,284	42,694
Total OPWC loans		745,205	-	(75,488)	669,717	76,895
<u>OWDA loan</u>						
Wastewater treatment plant	5.00%	290,890	-	(78,042)	212,848	81,993
<u>Other long-term obligations</u>						
Compensated absences		33,031	25,439	(26,686)	31,784	18,657
Total business-type activities long-term obligations		<u>\$ 1,069,126</u>	<u>\$ 25,439</u>	<u>\$ (180,216)</u>	<u>\$ 914,349</u>	<u>\$ 177,545</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The City has entered into three debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund a new water tower, the Wolf Creek sanitary trunk extension and wastewater treatment plant improvements. The amounts due to the OPWC are payable solely from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2007, the City has outstanding borrowings of \$198,933 in the water fund and \$22,500 and \$448,284 in the sewer fund which matures on January 1, 2014, July 1, 2012 and July 1, 2018, respectively. The loan agreements require semi-annual payments based on the actual amount loaned. The Wolfcreek sanitary trunk main and the wastewater treatment plant of the OPWC loans are interest free, the Water Tower has a rate of 5%.

The City has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund a wastewater treatment project. The amounts due to the OWDA are payable solely from sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2007, the City has outstanding borrowings of \$212,848 which matures on July 1, 2010. The loan agreement requires semi-annual payments based on the actual amount loaned.

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

Year Ending December 31,	OWDA Loan			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 81,993	\$ 9,631	\$ 91,624	\$ 76,895	\$ 9,586	\$ 86,481
2009	86,143	5,481	91,624	78,372	8,109	86,481
2010	44,712	1,100	45,812	79,926	6,555	86,481
2011	-	-	-	81,558	4,923	86,481
2012	-	-	-	80,773	3,209	83,982
2013 - 2017	-	-	-	250,848	1,407	252,255
2018	-	-	-	21,347	-	21,347
	<u>\$ 212,848</u>	<u>\$ 16,212</u>	<u>\$ 229,060</u>	<u>\$ 669,719</u>	<u>\$ 33,789</u>	<u>\$ 703,508</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, 2007, the City's total debt margin was \$11,107,538 and the unvoted debt margin was \$5,813,631.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 14 - RISK MANAGEMENT

A. Liability Insurance

The City is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The City obtains commercial insurance for coverage of potential losses through Employers Mutual Casualty Company.

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

B. Employee Health Insurance

During 2007, the City provided employees health and life insurance through United Health Care and dental insurance through Dental Select. The premiums for dental and life insurance are paid monthly with the City paying one hundred percent of the cost.

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

C. Workers' Compensation

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement under the Traditional Pension Plan, were required to contribute 9.5% of their annual covered salaries. Members participating in the Traditional Pension Plan that were in law enforcement contributed 10.1% of their annual covered salary. The City's contribution rate for pension benefits for 2007 was 8.85% for the period January 1, 2007 through June 30, 2007 and 7.85% for the period July 1, 2007 through December 31, 2007, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 12.17% of covered payroll for the period January 1, 2007 through June 30, 2007 and 11.17% of covered payroll for the period July 1, 2007 through December 31, 2007. The Ohio Revised Code provides statutory authority for member and employer contributions. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2007, 2006, and 2005 were \$88,234, \$105,685, and \$119,832, respectively; 100% has been contributed for 2007, 2006 and 2005.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.5% and 24.0% for police officers and firefighters, respectively. The portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$73,492 and \$10,526 for the year ended December 31, 2007, \$71,130 and \$10,197 for the year ended December 31, 2006, and \$65,631 and \$9,900 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 85.31% for police officers and 84.38% for firefighters has been contributed for 2007 with the remainder being reported as a liability in the respective funds.

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-employment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the Traditional Pension or Combined Plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the Member-Directed Plan do not qualify for post-employment health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the Traditional Pension or Combined Plans is set aside for the funding of post-employment health care based on authority granted by State Statute. The 2007 local government employer contribution rate was 13.85% of covered payroll (17.17% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care for the period January 1, 2007 through June 30, 2007 and 6.00% of covered payroll was the portion that was used to fund health care for the period July 1, 2007 through December 31, 2007.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus and an additional factor ranging from .50% to 5.00% for the next eight years. In subsequent years, (nine and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the Traditional Pension and Combined Plans was 374,979 as of December 31, 2007. The City's actual employer contributions for 2007 which were used to fund post-employment benefits were \$57,609. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. At December 31, 2006 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by OP&F is considered an Other Post-employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the OP&F's Board of Trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 6.75% of covered payroll was applied to the post-employment health care program during 2007. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's actual contributions for 2007 that were used to fund post-employment benefits were \$48,385 for police officers and \$5,022 for firefighters. The OP&F's total health care expense for the year ended December 31, 2006 (the latest information available) was \$120.374 million, which was net of member contributions of \$58.533 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006 (the latest information available), was 14,120 for police officers and 10,563 for firefighters.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other financial uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

Net Change in Fund Balance

	General
Budget basis	\$ 150,682
Net adjustment for revenue accruals	(23,614)
Net adjustment for expenditure accruals	(258,220)
Net adjustment for other sources/uses	242,824
Adjustment for encumbrances	15,761
GAAP basis	\$ 127,433

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2007.

B. Litigation

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

NOTE 19 - CONTRACTUAL COMMITMENTS

At December 31, 2007, uncompleted construction contracts are as follows:

<u>Description</u>	<u>Remaining Commitment</u>
Eagle Northbrook Industrial Park	\$ 657,381

NOTE 20 - SIGNIFICANT SUBSEQUENT EVENTS

On April 24, 2008, the City issued a \$1,250,000 bond anticipation note to retire a portion of the \$2,285,000 bond anticipation note issued on April 26, 2007 (see Note 13). This note bears an interest rate of 2.75% and matures on April 23, 2009.

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Julian & Grube, Inc.
Serving Ohio Local Governments

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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Members of Council and Mayor
City of Brookville
301 Sycamore Street
Brookville, Ohio 45309

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Brookville, Montgomery County, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the City of Brookville's basic financial statements and have issued our report thereon dated May 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Brookville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Brookville's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Brookville's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Brookville's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Brookville's financial statements that is more than inconsequential will not be prevented or detected by the City of Brookville's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Brookville's internal control.

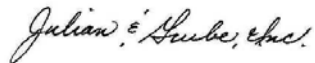
Members of Council and Mayor
City of Brookville

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Brookville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and City Council of the City of Brookville and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
May 8, 2008



Mary Taylor, CPA
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 1, 2008**